BOB ANTHONY
Commissioner

DENISE A. BODE
Commissioner

JEFF CLOUD
Commissioner

OKLAHOMA
CORPORATION COMMISSION
P.O. BOX 52000
OKLAHOMA CITY, OKLAHOMA 73152-2000

300 Jim Thorpe Building
Telephone: (405) 521-2211
FAX: (405) 522-1623

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Ms. Alison Silverstein
Mr. Joe Eto
c/o U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Re: Questions presented by the Department of Energy ("DOE") on "Economic Dispatch" (Section 1234 of the 2005 Energy Policy Act)

The following persons should be contacted for more information regarding this filing:

Joyce Davidson, Director
Public Utility Division
Oklahoma Corporation Commission
2101 N. Lincoln Blvd.
Oklahoma City, OK 73105
(405) 521-4114
j.davidson@occemail.com

Edwin C. Farrar, CPA
Manager, Energy Group
Public Utility Division
Oklahoma Corporation Commission
2101 N. Lincoln Blvd.
Oklahoma City, OK 73105
(405) 521-6950
e.farrar@occemail.com

Kelli Leaf,
Deliberating Counsel to the Commissioners
Public Utility Matters
Oklahoma Corporation Commission
2101 N. Lincoln Blvd.
Oklahoma City, OK 73105
(405) 521-6024
k.leaf@occemail.com

Tonya Hinex-Ford,
Public Utility Regulatory Analyst
Public Utility Division
Oklahoma Corporation Commission
2101 N. Lincoln Blvd.
Oklahoma City, OK 73105
(405) 521-6874
t.hinex-ford@occemail.com

Questions Presented:

1. **What are the procedures used in your region for economic dispatch? Who is performing the dispatch and over how large an area?**

Currently, the Oklahoma Corporation Commission ("OCC") does not have procedures or rules governing economic dispatch.

Absent established rules, Oklahoma utilities currently perform economic dispatch themselves for a majority of their load requirements, based on what may be considered "prudent" practices. To accomplish such economic dispatch, the utilities may use purchase power from the independent producers where such power is necessary to serve native load or where such power can be purchased at a rate less than that which the utility can produce the power itself. Over the longer term (monthly or longer), the utilities generally use a Request for Proposal ("RFP") bidding system under which they seek bids for the provision of power to meet load requirements.

2. **Is the Act's definition of economic dispatch appropriate? Over what geographic scale or area should economic dispatch be practiced? Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch, and why?**

While the definition proposed is a good start, several factors must be considered when trying to determine what is "lowest cost" and "reliable" power. First, over what time frame does this requirement apply (for all power purchased, just during summer peaking months or long term contracts)? Second, what costs are being considered when trying to determine what is "lowest cost" (Energy costs only (generally seen where a utility's fixed costs are paid through base rates, energy plus capacity costs (generally requested by a non-utility generator) or some variation)? Third, how do transmission costs figure into the "lowest cost" and "reliable" equation (are the costs to interconnect a non-utility generator considered, what about transmission upgrades due to the potential for greater use of the existing transmission grid)?

3. **How do economic dispatch procedures differ for different classes of generation, including utility owned vs. non-utility owned generations? Do actual operational practices differ from the formal procedures required under tariff or federal or state rule, or from the economic dispatch definition above?**

Oklahoma does not have procedural rules in place that dictate economic dispatch operational practices by a utility. The OCC is also unaware of any specific federal rules that address economic dispatch operational practices by a utility.

Notwithstanding the above, because Oklahoma jurisdictional utilities have "an obligation to serve" and must meet minimum reserve requirements delineated by the SPP, the costs to ensure such requirements (including but not limited to fuel costs and availability, dispatchability of proposed non-utility generation, transmission service, etc.) should be taken into consideration. This is especially important where the utility generator is compared to the non-utility generator since the former cannot escape the above requirements, while the latter may or not be subject to such requirements. Utility-owned generation must have firm fuel supply contracts that may have minimum payment or minimum take provisions that will affect economic dispatch.

In addition to the above, as is done at the Federal level, Oklahoma periodically considers the prudence of a jurisdictional utility's operational decisions when considering whether or not to allow the pass through of costs related to such decisions. For example, one Oklahoma jurisdictional utility has had the prudence of its prior gas purchase contracts taken under consideration (OCC Cause No. 2003000226). This same utility is also currently undergoing prudence considerations regarding subsequent fuel adjustment clause expenditures (OCC Cause No. 200500140) and the purchase of a generation plant (OCC Cause No. 200500151). Another Oklahoma jurisdictional utility has recently undergone a partial prudence review over costs passed through in prior fuel adjustment clause filings (OCC Cause No. 200200754) and is getting ready to undergo a prudence review on subsequent fuel adjustment clause expenditures (OCC Cause No. 200500139). While such prudence reviews have in the past, been done with less frequency, the continual rise in the costs of providing energy services to Oklahoma jurisdictional ratepayers has necessitated a closer look at the practices of Oklahoma jurisdictional utilities in order to ensure that Oklahoma ratepayers are incurring only those costs that are fair, just and reasonable.

4. What changes in economic dispatch procedures would lead to more non-utility generator dispatch? Are procedural changes needed to better enable economic dispatch participation by non-utility generators?

The issues raised in number three (3) above, regarding the "obligation to serve," "reserve requirements," "flexibility," "dispatchability," etc., of available non-utility generation should be considered when trying to enable greater opportunities for non-utility generation to serve jurisdictional utility ratepayers. Accountability is critical in order to ensure that the stated economic dispatch statutory goals of providing service to customers at the "lowest cost" and most "reliable" service available are met.

5. If economic dispatch causes greater dispatch and the use of non-utility generation, what effects might this have on the grid, on the mix of energy and capacity available to retail customers, to energy prices and costs, to environmental emissions, or other impacts? How would this affect retail customers in particular states and nationwide?

When attempting to ensure "greater dispatch and the use of non-utility generation," the OCC submits that all of the costs and benefits should be considered first. For example, a concurrent shift to non-utility generation, of the commensurate responsibilities to serve, reliability, reserve requirements, etc., may be necessary in order to ensure that jurisdictional ratepayers do not end up paying a premium for non-utility generation (to cover both energy and capacity costs) while still having to maintain payments to the jurisdictional utilities that are required to meet – among other things - the above-listed responsibilities. In addition, the amount of overall power moved across the grid would likely increase, which may cause a greater potential for transmission constraints and/or the need for upgrades to cure such constraints. The mix of energy sources drawn upon may also change grid operations due to the technological construct of some of the newer non- utility generation (e.g., ability vs. inability to be dispatched, timing requirements for dispatch, etc.).

6. Could there be any implications for grid reliability – positive or negative – from greater use of economic dispatch? If so, how should economic dispatch be modified or enhanced to protect reliability?

In addition to all of the inter-related answers above, the OCC submits that non-utility generation may need to be subject to the same level of responsibility for reliability requirements as that which utility owned generation must face. Otherwise, there is the potential that attempts to level the playing field for non-utility generation may inadvertently put the utility owned generation (and thus, the captured jurisdictional ratepayers) at a disadvantage. Thus, economic dispatch criteria must necessarily be able to quantify all costs and benefits that both the utility owned generation and the non-utility owned generation might experience in order to better understand how to level the playing field.

Sincerely,

Joyce E. Davidson, Director
Public Utility Division
Oklahoma Corporation Commission